



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HARLAN COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES AND
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES**

June 27, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

HARLAN COUNTY STEVE DUFF, SHERIFF SHERIFF'S SETTLEMENT - 1999 TAXES AND 1999 UNMINED COAL TAXES

June 27, 2000

An unqualified opinion was expressed on the financial statements. No reportable conditions relating to the audit of the financial statements were reported.

Tax Collections:

The Harlan County Sheriff's 1999 regular tax collections and 1999 unmined coal tax collections have been properly collected, reported, and paid to the taxing districts as of June 27, 2000.

Bank Deposits:

The Sheriff's bank deposits were adequately secured as of June 27, 2000.

Interest Earned:

Interest income of \$11,882 was earned on the 1999 taxes and the appropriate amount was distributed to the school district as required by statute.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Joseph A. Grieshop, Harlan County Judge/Executive

Honorable Steve Duff, Harlan County Sheriff

Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the Harlan County Sheriff's Settlement - 1999 Taxes and the Sheriff's Settlement - 1999 Unmined Coal Taxes as of June 27, 2000. These tax settlements are the responsibility of the Harlan County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Harlan County Sheriff's taxes charged, credited, and paid as of June 27, 2000 in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Joseph A. Grieshop, Harlan County Judge/Executive

Honorable Steve Duff, Harlan County Sheriff

Members of the Harlan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
September 29, 2000

HARLAN COUNTY
STEVE DUFF, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

June 27, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 918,199	\$ 507,065	\$ 1,629,859	\$ 676,156
Tangible Personal Property	268,146	124,010	328,528	315,124
Intangible Personal Property				72,479
Inventory In Transit	94			
Fire Protection	7,327			
Franchise Corporation	165,318	77,594	194,720	
Bank Franchise	43,034			
Omitted Taxes	361	191		301
Increased Through Erroneous Assessments	686	379	1,240	505
Additional Billings	2,864	1,581	6,127	2,109
Penalties	15,270	8,303	27,096	11,656
Adjusted to Sheriff's Receipt	(38)	538	3	6
Gross Chargeable to Sheriff	<u>\$ 1,421,261</u>	<u>\$ 719,661</u>	<u>\$ 2,187,573</u>	<u>\$ 1,078,336</u>
<u>Credits</u>				
Discounts	\$ 16,578	\$ 8,238	\$ 24,926	\$ 14,593
Exonerations	7,574	4,138	14,344	5,308
Delinquents:				
Real Estate	62,782	34,578	116,553	46,104
Tangible Personal Property	5,785	2,683	4,479	4,387
Intangible Personal Property				2,514
Uncollected Franchise Corporation	2,247	1,115	3,113	
Total Credits	<u>\$ 94,966</u>	<u>\$ 50,572</u>	<u>\$ 163,415</u>	<u>\$ 72,906</u>
Net Tax Yield	\$ 1,326,295	\$ 668,909	\$ 2,024,158	\$ 1,005,430
Less: Commissions *	<u>56,655</u>	<u>28,429</u>	<u>80,966</u>	<u>43,018</u>
Net Taxes Due	\$ 1,269,640	\$ 640,480	\$ 1,943,192	\$ 962,412
Taxes Paid	1,269,075	640,036	1,941,126	961,606
Credit Taken for Prior Year Refunds	12	27	859	
Refunds (Current and Prior Year)	<u>780</u>	<u>408</u>	<u>1,694</u>	<u>822</u>
Due Districts or (Refund(s) Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (227)</u>	<u>\$ 9</u>	<u>\$ (487)</u>	<u>\$ (16)</u>

* and ** See Page 4

HARLAN COUNTY
 STEVE DUFF, SHERIFF
 SHERIFF'S SETTLEMENT - 1999 TAXES
 June 27, 2000
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,990,634
4% on	\$	2,024,158

** Special Taxing Districts:

Library District	\$	(2)
Health District		60
Extension District		(43)
Soil District		<u>(6)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>9</u></u>
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The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
STEVE DUFF, SHERIFF
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES

June 27, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 408,009	\$ 221,590	\$ 872,404	\$ 317,191
Penalties	141	78	302	104
Gross Chargeable to Sheriff	<u>\$ 408,150</u>	<u>\$ 221,668</u>	<u>\$ 872,706</u>	<u>\$ 317,295</u>
<u>Credits</u>				
Discounts	\$ 4,522	\$ 2,497	\$ 9,674	\$ 3,330
Exonerations	281	155	602	207
Delinquents	2,772	1,531	5,931	2,042
Total Credits	<u>\$ 7,575</u>	<u>\$ 4,183</u>	<u>\$ 16,207</u>	<u>\$ 5,579</u>
Net Tax Yield	\$ 400,575	\$ 217,485	\$ 856,499	\$ 311,716
Less: Commissions *	<u>17,024</u>	<u>9,243</u>	<u>34,260</u>	<u>13,247</u>
Net Taxes Due	\$ 383,551	\$ 208,242	\$ 822,239	\$ 298,469
Taxes Paid	383,351	208,131	821,811	298,321
Refunds (Current and Prior Year)				148
Due Districts		**		
as of Completion of Fieldwork	<u>\$ 200</u>	<u>\$ 111</u>	<u>\$ 428</u>	<u>\$ 0</u>
* Commissions:				
4.25% on	\$ 929,776			
4% on	\$ 856,499			
** Special Taxing Districts:				
Library District		29		
Health District		35		
Extension District		40		
Soil District		7		
Due Districts		<u>\$ 111</u>		

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

June 27, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 27, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

HARLAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 27, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 25, 1999 through June 27, 2000.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 24, 1999 through June 27, 2000.

Note 4. Interest Income

The Harlan County Sheriff earned \$11,882 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1999 taxes, the Sheriff had \$844 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Harlan County Sheriff's Settlement - 1999 Taxes and Sheriff's Settlement - 1999 Unmined Coal Taxes as of June 27, 2000, and have issued our report thereon dated September 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 29, 2000

